

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-01 L-03
NSC-05 PA-01 PRS-01 SS-15 OES-06 AGRE-00 STR-04
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FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0173

LIMITED OFFICIAL USE SECTION 1 OF 2 LISBON 1202

PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: ECON, PO, ELAB
SUBJ: ECONOMIC DEVELOPMENTS

REF: (A) LISBON 1115, (B) LISBON 0939, (C) LISBON 0965,
(D) LISBON 1116

SUMMARY. GOP'S I;43ASINGLY FIRM TONE IN CURRENT OR THREATENED
LABOR DISPUTES IS ENCOURAGING, BUT INVESTORS AND THE UNIONS
WILL BE MORE INFLUENCED BY RESULTS THAN WORDS. GOP SUCCESS IN
HOLDING LINE ON MASS TRANSIT WORKER WAGE DEMANDS AND NEW
MEASURES TO INCREASE EFFICIENCY OF COMMUNICATIONS AND MEDIA
SECTORS REPRESENT START TOWARD IMPLEMENTATION OF BROADER
MEASURES. END SUMMARY.

1. LABOR RELATIONS: ACTUAL OR POTENTIAL CHALLENGES FROM
ORGANIZED LABOR OVER A VARIETY OF ISSUES CONTINUE TO COMPLICATE
GOP EFFORTS TO PURSUE AN EFFECTIVE ECONOMIC RECOVERY POLICY.
DIFFICULTIES HAVE ARISEN OR THREATEN IN THE FOLLOWING SECTORS:

-- CIVIL SERVICE: TWELVE PUBLIC EMPLOYEE UNIONS CONTINUE
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PREPARATIONS FOR A ONE-DAY STRIKE FEBRUARY 15 TO PROTEST
MEASURE PASSED BY NATIONAL ASSEMBLY RAISING CIVIL SER-
VICE WAGES A FLAT 15 PERCENT OF BASE SALARY, RATHER
THAN AN ACROSS-THE-BOARD INCREASE OF 2000 ESCUDOS
FAVORED BY UNIONS. GOP HAS TAKEN HARD LINE AGAINST
STRIKE AND THREATENED DISCIPLINARY MEASURES (REF A). GOVERN-
MENT'S POSITION HAS CREATED SIGNS UNIONS MAY CHANGE TACTICS;

STRIKE MAY EVOLVE INTO A SLOWDOWN RATHER THAN ABSENCES FROM WORK.

-- FISHERMEN: TRAWLER FISHERMEN IN MOST MAJOR FISHING PORTS REMAIN ON STRIKE (REF B). FOLLOWING UNPRODUCTIVE FEBRUARY 7 GOP-FISHERMEN UNION NEGOTIATION SESSION, LISBON PORT WORKERS HANDLING ON-BOARD UNLOADING OPERATIONS (AS OPPOSED TO STEVEDORES RESPONSIBLE FOR DOCKSIDE WORK) SUSPENDED OVERTIME WORK IN DEMONSTRATION OF SOLIDARITY WITH FISHERMEN; ACTION HAS APPROXIMATELY DOUBLED TURN-AROUND TIME FOR VESSELS USING PORT OF LISBON. GOP FEB. 9 SET 48 HOUR DEADLINE EXPIRING MIDNIGHT FEB. 10 FOR "NORMALIZATION" OF WORK BEFORE TAKING "MEASURES," INCLUDING CANCELLATION OF FISHERMEN'S WORK REGISTRATIONS. AS OF MORNING FEB. 11 NO MEASURES HAD BEEN TAKEN. PRIME MINISTER'S LABOR ADVISOR, PELAGIO MADUREIRA, STATES GOVERNMENT IS PREPARED TO WAIT SITUATION OUT. AMPLY STOCKS OF FROZEN FISH ARE AVAILABLE.

-- STEVEDORE STRIKE (REF C) ENDED FEB. 5 AFTER GOVERNMENT PRIVATELY THREATENED MILITARY MOBILIZATION OF STEVEDORES.

-- TEXTILES: TEXTILE WORKERS THROUGHOUT PORTUGAL INITIATED SLOWDOWN FEB. 9 IN EFFORT TO FORCE MILL OWNERS TO RESUME STALLED NEGOTIATIONS ON COLLECTIVE CONTRACT. TEXTILE WORKERS UNIONS CLAIM 80 PERCENT-PLUS ADHERENCE BUT ON THE SPOT CHECKS THROUGHOUT TEXTILE MANUFACTURING REGION BY AMCONSULTATE OPORTO, INDICATE MUCH LOWER PERCENTAGE.

-- TRAVEL AGENTS: PRIVATE TRAVEL AGENCY EMPLOYEES SEEKING COVERAGE UNDER GENEROUS COLLECTIVE WORK AGREEMENT ENJOYED BY GOVERNMENT TRAVEL AGENCY (ENATUR) WORKERS LIMITED OFFICIAL USE

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STRUCK FOR ONE DAY FEB. 10. THEY HAVE THREATENED FURTHER DISRUPTIONS DURING PRIME TOURIST MONTHS (MARCH THROUGH SEPTEMBER) IF THEIR DEMANDS ARE NOT MET.

-- RAILROAD TECHNICIANS: ENGINEERS AND ECONOMISTS OF PORTUGAL'S STATE RAILROAD HAVE THREATENED TO STOP RAIL TRAFFIC BY WORK-TO-RULE ACTION UNLESS COLLECTIVE CONTRACT PROVISIONS ON STAFFING AND PROMOTION POLICY ARE ALTERED TO THEIR SATISFACTION. TECHNICIANS CHARGE THAT THE PROMOTION POLICIES OF LEFTIST-DOMINATED RAILROAD ADMINISTRATIVE COMMISSION HAVE BEEN PREJUDICIAL TO LINE'S EFFICIENCY AND THEIR CAREERS.

2. PROGRESS: GOP-LABOR CONFRONTATIONS OVERSHADOWED LESS SPECTACULAR GOP PROGRESS IN IMPLEMENTING ECONOMIC RECOVERY MEASURES:

-- WAGE AGREEMENTS: SECRETARY OF STATE FOR TRANSPORTATION TOLD ECON COUNS. FEB. 8 THAT URBAN MASS TRANSIT WORKERS IN LISBON AND OPORTO, AS WELL AS EMPLOYEES OF NATIONAL PASSENGER BUS COMPANY RODOVIARIA

NACIONAL, HAD AGREED TO WAGE INCREASES AVERAGING 13.5 PERCENT, WELL WITHIN THE GOP'S 15 PERCENT GUIDELINES. INCREASES INCLUDE BENEFITS.

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PASS TREASURY FOR SYVRUD

-- POSTAL AND COMMUNICATIONS RATE INCREASES: NEW INTERNATIONAL POSTAL AND ELECTRONIC COMMUNICATIONS RATES WENT INTO EFFECT JAN. 1. POSTAGE RATES ROSE BY OVER 40 PERCENT, WHILE TELEX, TELEPHONE, AND TELEGRAPH TARIFFS ROSE BY A SLIGHTLY LESSER AMOUNT. GOP SOURCES HAVE CONFIRMED THAT REVENUES FROM THE FARES WILL SIGNIFICANTLY REDUCE LARGE POST OFFICE OPERATING DEFICIT, CURRENTLY COVERED BY GOVERNMENT SUBSIDIES.

-- PRESS REFORMS: GOP ANNOUNCED FEB. 6 MEASURES TO INCREASE THE EFFICIENCY OF THE STATE-OWNED AND HEAVILY SUBSIDIZED PRESS SECTOR (REF C). IN ANNOUNCING THE MEASURES, INFORMATION MINISTER MANUEL ALEGRE SPECIFICALLY RECOGNIZED THE NEED FOR SIGNIFICANT STAFF LAY-OFFS TO INSURE VIABILITY OF SECTOR, A PRECEDENT WHICH WILL NOT BE LOST UPON PRIVATE ENTERPRISE.

3. FOREIGN ASSISTANCE: FOLLOWING A THREE-DAY LISBON MEETING OF NORWEGIAN-PORTUGUESE MIXED COMMISSION ON ECONOMIC ASSISTANCE, PORTUGAL AND NORWAY SIGNED FEB. 8 A BILATERAL ACCORD UNDER WHICH NORWAY WILL FINANCE THE LIMITED OFFICIAL USE

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CONSTRUCTION IN PORTUGAL OF FOUR FISH FREEZING PLANTS. NORWAY HAS PROVIDED SIGNIFICANT, PRIMARILY TECHNICAL, ASSISTANCE TO PORTUGAL IN THE FISHING, AS WELL AS IN FORESTRY, AGRICULTURAL AND HOUSING SECTORS. THEIR ASSISTANCE PROGRAM THOROUGH 1976 TOTALLED \$5.1 MILLION. AN ADDITIONAL 9.5 MILLION KRONERS ARE BEING PROGRAMMED FOR 1977.

4. EXCHANGE RATE: THE LISBON ESCUDO/DOLLAR PURCHASE RATE CLOSED FEB. 10 AT 32.334 AS OPPOSED TO 32.266 A WEEK BEFORE AND 31.367 JANUARY 3, WHEN GOP INITIATED CURRENT DRIFT.

5. COMMENT: THE SOARES GOVERNMENT'S FIRM TONE IN THE PUBLIC EMPLOYEES, FISHERMEN AND STEVEDORES' DISPUTES IS ENCOURAGING. INVESTORS, HOWEVER, WILL JUDGE THE GOVERNMENT MORE ON PERFORMANCE IN DEALING WITH LABOR PRESSURE THAN TONE. SO WILL THE UNIONS. THE GOVERNMENT'S ABILITY TO HOLD THE WAGE LINE IN THE MASS TRANSIT SECTOR AND ITS LIMITED INITIATIVES TO INCREASE THE VIABILITY OF THE COMMUNICATIONS AND MEDIA SECTORS ARE SMALL STEPS IN PURSUIT OF ITS BROADER ECONOMIC RECOVERY OBJECTIVES. THEY ARE A START, NONETHELESS, AND TO THE DEGREE THAT THEY ARE SUCCESSFUL, SHOULD ENCOURAGE BOLDER AND MORE SIGNIFICANT MEASURES.
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